

May 16, 2001

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Dear Mr. Craig:

In accordance with our contract, REVPAR International has completed our Category 4 Project Validation Assessment at Fort Lewis, Washington in regard to official lodging demand verification.

The entire study and its conclusions are based upon our present knowledge and information obtained from Army Lodging, as well as that obtained during our April 2001 site visit. All data provided by Army Lodging and/or Fort Lewis is assumed to be accurate and true, unless otherwise noted.

As in all studies of this type, the conclusions reached do not take into account, or make provisions for, the effect of any sharp rise or decline in local or general economic or political conditions not presently foreseeable. Any estimated results are based on competent and efficient management of the lodging facility, presently and prospectively, comparable to Army Lodging Standards. Any projections are based on estimates and stated assumptions, which are inherently subject to uncertainty and variation, depending upon evolving events; accordingly we do not represent them as results that will actually be achieved.

We have no obligation, unless subsequently engaged, to update this study or revise the estimated results because of events and transactions occurring subsequent to the receipt of the requested information.

This study has been prepared for your use and guidance in assessing the Core Official Lodging Requirement at Fort Lewis, as defined for this project at the onset.

We would be pleased to hear from you if we can be of further assistance in the application and/or interpretation of our findings and conclusions. We appreciate the opportunity to be of service to you, and look forward to hearing from you soon.

Sincerely,

REVPAR International, Inc.

(signed)

EXECUTIVE SUMMARY

Current Lodging Inventory

The current number of official lodging rooms inventory at Fort Lewis is 241 and has remained constant since FY 1998. In addition, there are 1,066 inadequate facilities located at North Fort that are used to house the ROTC cadre. In the future, it is the intention of Fort Lewis to centrally house all official lodging demand at or near one location on Main Post.

There is also a one-bedroom cabin at Yakima, which is located approximately two and a half hours away, which has not been included in our analysis of supply and demand because of its distance from the Main Post.

Guest rooms at Fort Lewis (Main Post) are contained in six multi-unit buildings (Buildings 1020, 2110, 2111, 2492, 9901, and 9906). A detailed unit breakdown of the current lodging supply at Fort Lewis is included on Chart 1 in the Addenda. Essentially, the room count includes three single rooms at approximately 273 square feet, 144 double rooms (45 with kitchenettes) ranging from 312 to 360 square feet, five queen accessible rooms measuring 360 square feet, and 89 multi-room suites at roughly 400 square feet.

Lodging administration is located in Building 2111, which is known as the New Lodge. The lodging office operates 24 hours seven days per week.

Historical Utilization and Occupancy

The following table summarizes the volume of total official room night demand (including CNAs) occurring at Fort Lewis (including North Fort) over the past three and a half years.

Historical Lodging Demand					
	FY 1998	FY 1999	FY 2000	FYTD 2000 ⁽¹⁾	FYTD 2001 ⁽¹⁾
Accommodated On Post	112,319	125,147	86,432	46,881	45,508
Unaccommodated (CNAs)	27,750	19,224	30,809	8,998	8,123
Total Official Demand	140,069	144,371	117,241	55,879	53,631
Unofficial Demand	7,334	6,950	7,408	4,588	5,715
Total Demand	147,403	151,321	124,649	60,467	59,346
Percent Change	---	2.7%	(17.6%)	---	(1.9%)
Note: ⁽¹⁾ YTD October – April (7 months)					
Source: Fort Lewis Lodging Administration; Compiled by REVPAR International, Inc.					

The numbers in the previous table represent accommodated demand at both the Main Post and North Fort. North Fort demand, which includes only TDY, is extraordinarily high during June, July, and August because of ROTC training exercises. During these months, North Fort demand ranged anywhere from 6,205 to 33,210 room nights per month, whereas the remaining nine months averaged between 960 to 4,210 room nights per month between FY 1998 and FY 2000. In an effort to smooth out the demand patterns for these three months where the TDY demand increases dramatically, and with the approval of Army Lodging, we replaced the actual TDY room nights occurring at North Fort with the average TDY room night demand occurring at North Fort during the balance of the year. Because the current facilities at North Fort are classified as inadequate, no PCS or official demand (other than ROTC) is accommodated there and no CNAs are issued.

Room night demand decreased 15.4 percent over the three-year period between FY 1998 and FY 2000. The significant decrease in demand in FY 2000 is attributable to the loss of British troops, who previously used North Fort for training.

When analyzed separately, demand for lodging at the Main Post, which includes TDY, PCS, and unofficial demand, increased during the previous three years. FY 2000 represents the highest level of demand at Main Post during the three-year period due to increased training associated with the Transformation Campaign Plan (TCP). The TCP is a high profile, high tech change in field artillery equipment and fighting methods, which will enable troops to be deployed anywhere in the world within 72 hours. As Fort Lewis is serving as the headquarters for this operation, the TCP should stimulate further TDY and PCS demand in the future.

For FYTD 2001 through April, which includes seven months, room night demand at Main Post decreased slightly, or 1.9 percent, compared to the same period last year. Based on a review of the segmentation excluding North Fort demand, PCS demand has declined significantly, while TDY demand is up significantly. According to lodging management, the decrease in PCS demand in FYTD 2001 is due to the displacement of it by Reservists who are now allowed to make reservations in official lodging up to 30 days out. By so doing, they are allegedly displacing PCS demand that have yet to make their reservations. Because of no availability, Fort Lewis lodging is issuing CNAs to PCSing families. For FYTD 2001, PCS demand is down roughly 40 percent, while TDY demand is up about 45 percent because of this change in policy as well as post visitation associated with the TCP and increased reserve training (separate from ROTC).

Between FY 1998 and FY 2000, overall occupied rooms on any given night averaged 367 rooms. Charts 2, 3, and 4 in the Addenda show further breakdowns of the foregoing.

Over the most recent rolling 12-month period (April 2000 through March 2001), the average number of occupied rooms decreased to 315 per night due primarily to the reduction in North Fort utilization. However, a comparison of specific months year over year (see Chart 5 in Addenda) shows that occupied rooms increased as much as 12 to 22 percent in the months of January and October.

MARKET SEGMENTATION

Overall market segmentation is estimated at 45 percent TDY, 47 percent PCS, and 8 percent Unofficial demand. The following table summarizes key characteristics of each official demand segment based on interviews with lodging personnel at Fort Lewis.

MARKET SEGMENTATION		
	TDY	PCS
% Of Total Demand	45%	47%
Market Segmentation		
Individuals	100%	> 90%
Families	0%	< 10%
Average Length of Stay (Days)	7 – 8	14
14 days or less	70%	3%
More than 14 days	30%	97%
Source: Fort Lewis Lodging Administration, compiled by REVPAR International, Inc.		

(Official) Temporary Duty Personnel (TDY)

- Principal sources of TDY include military/civilian official guests—conference attendees, contractors, ROTC and reserve training—(collectively estimated at 47 percent of total TDY demand), North Fort ROTC training (estimated at 27 percent of total TDY demand), and HQ

visitors (estimated at 18 percent of total TDY demand). The balance of TDY is comprised of foreign students, active duty training (ADT), and medical students (collectively estimated at 9 percent of total TDY demand).

- TDY room night demand on Main Post has increased 44 percent in FYTD 2001 (through April) due to the TCP, as well as an increase in reserve training.
- Average length of stay is roughly seven to eight days based on weighted average contribution of short and long term stays.

(Official) Permanent Change of Station (PCS)

- Principal sources of PCS demand include individuals transferring in and out, which typically occurs evenly throughout the year.
- Two percent of PCS demand is associated with ETS (troops being permanently processed out of the Army).
- There were 31,078 room nights of PCS demand in FY 1998, 36,722 in FY 1999, and 43,839 in FY 2000.

(Official) Certificates of Non-Availability (CNA)

- According to lodging management, unaccommodated demand occurs as a result of no rooms available in any category. Over the past few years, CNA room night volume has fluctuated between 19,000 and 31,000 room nights annually. In FY 2000, CNAs represented 29 percent of total official demand on Main Post. No CNAs are issued for North Fort because of the inadequate facilities.

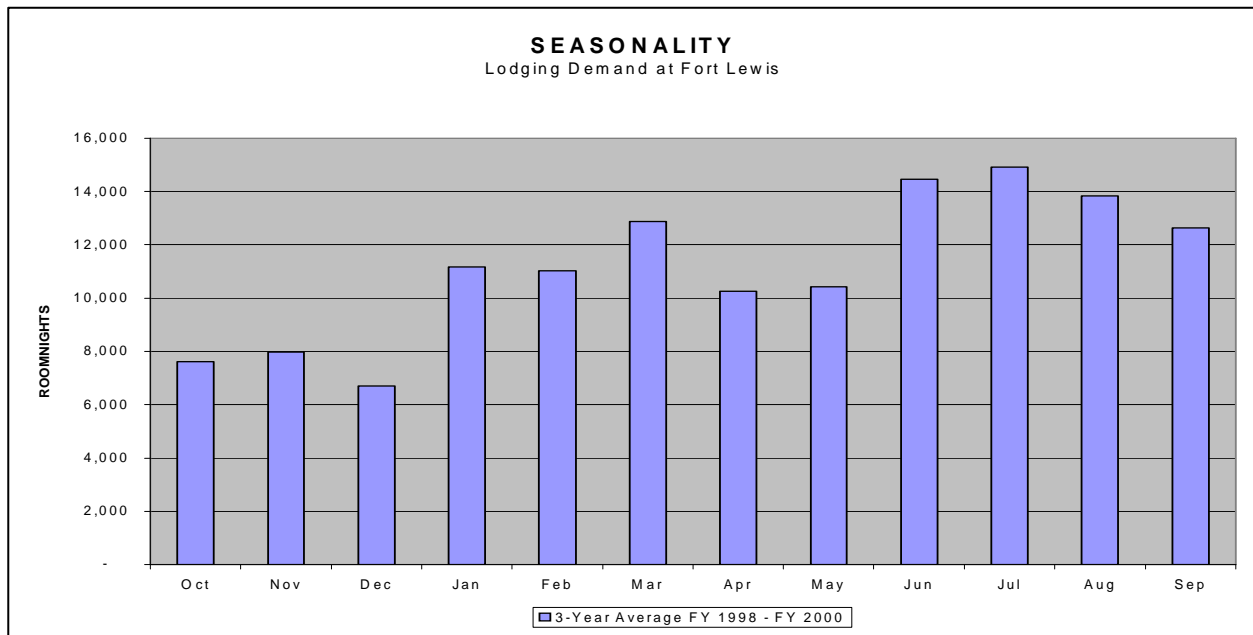
Unofficial Demand

- Unofficial demand consists primarily of visitors to post personnel or hospital visitors.
- During the last three years, unofficial demand has fluctuated between 7,000 and 7,500 room nights annually.
- Unofficial demand is not included in our projections or recommendations.

Seasonality (Based on Three-Year Averages)

The peak months of demand at Fort Lewis are June, July and August, followed by January, February, March, and September. Room night demand on a daily basis averages between roughly 446 and 482 during peak demand periods. During the peak months, it is typical for Fort Lewis accommodations to be completely occupied on a nightly basis. The summer and spring months are the peak times for conferences, training, and official HQ visits.

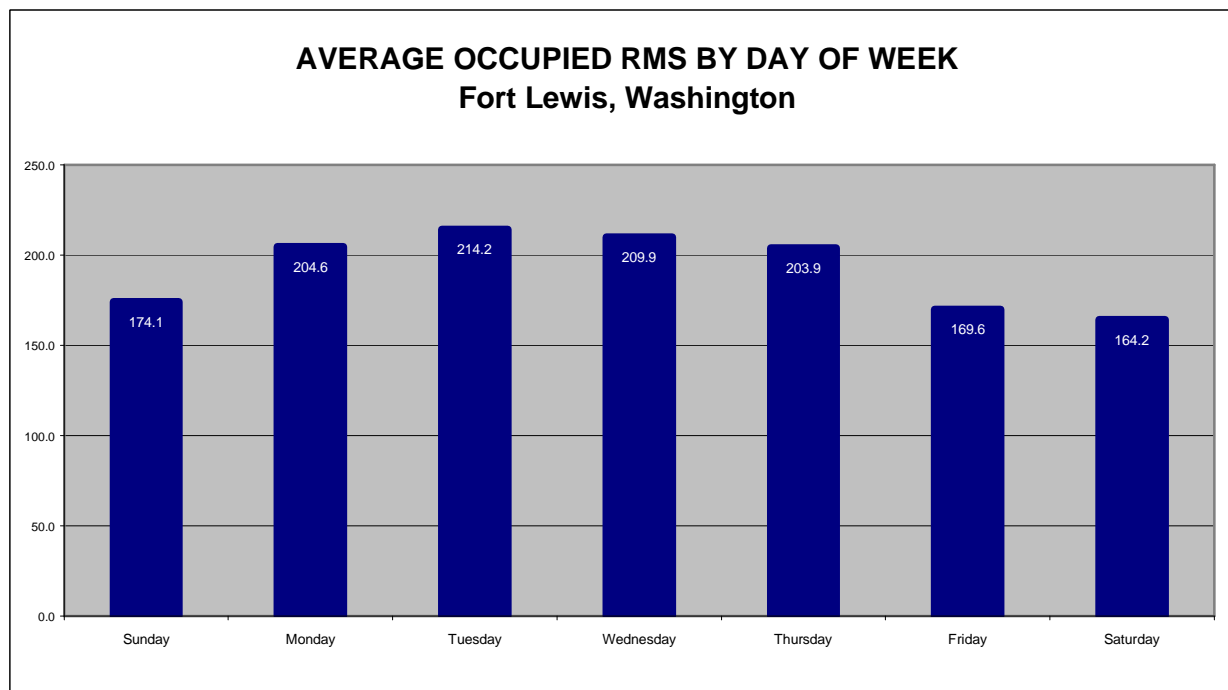
Slowest periods occurred between October and December, when the number of occupied official rooms averages between roughly 216 and 266 rooms per day. The winter is slower as military travel and training classes are typically curtailed during the holidays.



Note: Based on three-year averages

Day of Week Demand Trends

According to Fort Lewis lodging management, the majority of demand occurs Monday through Thursday; however, the numbers do not drop off significantly on the weekends due to Reservists and the average length of stay of many guests, which may be up to two weeks or more. The following chart illustrates the daily lodging demand trends at Main Post. Day of week demand data for a 12-month period was not available for this report, however the following chart illustrates average daily official accommodated demand based on five months of data in FY 2000.



Please note that only five months of data were available for Main Post. Numbers in chart do not reflect annual demand and does not include North Fort demand.

Future Growth of Room Night Demand

The high profile Transformation Campaign Plan will provide Fort Lewis with greater TDY lodging demand in the future. Some of this has already been realized by the installation, as evidenced by higher demand during FY 2000 on Main Post. The current utilization is likely to continue at this higher level and post commanders project utilization to grow further by six to eight percent during the next three years. In addition to new TDY demand generated by the Transformation Campaign Plan, other TDY demand growth will be seen as a result of anticipated increases in reserve and ROTC training sessions. As Fort Lewis is the only major post on the west coast and is an enduring post, growth in TDY demand is expected to remain strong during the near future. In terms of PCS demand, a review of Army Stationing and Installation Planning (ASIP) data indicates that the base population is expected to increase approximately five to six percent over the next five years.

SUMMARY AND RECOMMENDATIONS

- Base population is projected to increase five to six percent during the next five years.
- Fort Lewis is an enduring post and is the only reserve training installation on the west coast.
- Significant increase in demand on Main Post over the past 12 to 24 months due to Transformation Campaign Plan activity, which is expected to continue for the foreseeable future. Interviews with post personnel indicate that the current (FY 2000) levels of utilization are likely to continue over the next three years.
- In FY 2000, for Main Post demand, CNAs represented 29 percent of total official demand and have increased 11 percent since FY 1998.
- Average daily official room demand in FY 1998 – FY 2000 was 367, while adequate facility supply was only 241.
- Average length of stay is 7 to 8 days for TDY and 14 days for PCS, which suggests that kitchen facilities should be provided for the PCS portion of the business.

Due to the demand pattern at this facility, which is relatively stable throughout the year, we have reviewed the overall average utilization for the previous three full fiscal years, as well as FYTD 2001 data and have taken into consideration the anticipated future demand growth potential in PCS and TDY activities. Based on the foregoing, we recommend that the property be sized to reflect these utilization trends, using the 90 percent Core Official Lodging Requirement (see Chart 5 in the Addenda).

Core Lodging Requirement

- 354 units = Core Lodging Requirement (CLR);
- Proposed unit mix:
 - 150 extended-stay suite product offering kitchenettes and sitting/living areas— 75 studios, 75 one-bedrooms;
 - 204 standard hotel rooms with 40 kings and 164 double/double queen beds;
- Design of any new facilities should include expansion capabilities contingent on future growth in lodging demand on post.

The mix of units is a function of the FY 2000 demand segmentation at the facility, plus an assumption that 50 percent of the CNAs issued are PCS-related with an average length of stay of greater than 14 nights. We then averaged the PCS demand annually and assumed 90 percent of it had a length of stay of greater than 14 nights.

Addenda

(Please refer to attached Excel file)

1. Lodging Inventory (Room Types)
2. Summary of Average Lodging Demand (FY 98 – FY 01)
3. Chart of Official Room Night Demand
4. Chart of Average Daily Room Night Demand by Month
5. COLR Summary Worksheet
6. Seasonality